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Social development

Letter dated 24 January 2012 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

I have the honour to convey to you information on the social and economic development in Uzbekistan during its 20 years of independence and priorities for 2012-2015 (see annex).

I would appreciate your circulating the present letter and its annex as a document of the sixty-sixth session of the General Assembly, under agenda items 19 and 27.

(*Signed*) Murad **Askarov**
Permanent Representative of the Republic of Uzbekistan

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Annex to the letter dated 24 January 2012 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

[Original: Russian]

Principal trends and indicators of social and economic development in the Republic of Uzbekistan in the years since independence, and forecasts for 2012-2015

The dynamics of Uzbekistan's economic development in the years following its independence clearly demonstrate the effectiveness, soundness and sustainability of the so-called "Uzbek model" of transition from a centrally planned economy to a free and socially oriented market economy. The adoption of that model has led to the successful implementation of a number of economic and social reforms.

Uzbekistan's gross domestic product (GDP) in terms of purchasing power parity grew by a factor of 3.4 over this period, from $27.1 billion to $92.3 billion, while the volume of industrial production tripled. Since 2004, the economy has grown at a rapid and sustained annual rate of 7-9 per cent.

The structural reforms implemented since independence have allowed Uzbekistan to transform its economy from one which had been reliant on the extraction of raw materials and agricultural production into a diversified manufacturing economy spearheaded by modern industrial production and rapidly developing high-technology and service sectors.

Industry's share of GDP grew from 17.6 per cent to 24 per cent during this period, while the service sector grew from 33.8 per cent to 49 per cent. A number of new industries were launched, including automobile manufacturing, petrochemical production, oil and gas equipment manufacturing, modern construction materials production, railroad equipment manufacturing, consumer electronics, pharmaceuticals and modern food and textile industries.

In the automobile manufacturing sector, new factories were brought online to assemble passenger cars, cargo vehicles and buses in partnership with international companies such as General Motors (United States) Daimler-Benz and MAN (Germany), and Isuzu (Japan). As a result, the volume of output in mechanical engineering and metalworking grew by a factor of 11.6 between 1990 and 2010.

In the sphere of petroleum extraction and refining, the annual production of oil and gas condensate was 1.4 times higher than in 1990. Between 1990 and 2010, natural gas production grew by a factor of 1.6, while the production of liquefied natural gas increased by a factor of 15.2.

As part of the implementation of programmes aimed at ensuring energy independence and the development of the oil and gas refining sectors, the Bukhara Refinery and the Shurtan Gas Chemical Complex were built in partnership with foreign companies, while the Fergana Oil Refinery was completely overhauled. The establishment of the chemical sector led to improved natural gas processing while promoting the development of new production capacity in related industries.

Fundamental structural reforms in the agricultural sector facilitated the achievement of grain independence and growth in the total volume of agricultural production. Cotton production as a share of the agricultural sector declined from 47.7 per cent to 11.1 per cent, while the volume of grain production grew 3.7-fold, from 2,038,200 tons to 7,504,300 tons. Meanwhile, meat production grew 1.9-fold, from 789,100 to 1,461,400 tons.

Indicators tracking the development of the banking sector testify to the establishment of an extensive network of commercial banks, the growth of bank capital and the resource base for banks, greater banking sector participation in investment activities and growing public confidence in banking institutions. Currently, 75.2 per cent of all credit is comprised of long-term capital investments for the construction of new manufacturing facilities and the modernization and retooling of existing ones. The financial viability of Uzbekistan's banks is attested to by the stable ratings they receive from leading international rating agencies. At present, Uzbekistan has 31 commercial banks: 3 are State-owned, 13 are joint-stock commercial banks, 10 are private banks and 5 are backed by foreign capital.

Since independence Uzbekistan has also developed a system of real-time payments and introduced the use of credit cards.

In the area of investment policy, capital investment in Uzbekistan's economy has grown by a factor of 11.6 since independence, with an attendant shift in the source of such financing. In 1990, more than 46.3 per cent of all investments were funded from the State budget, whereas in 2010 non-State sources accounted for 57.9 per cent, while foreign sources contributed 29.1 per cent. Investments in the manufacturing sector increased from 58.3 per cent to 73.5 per cent during that period.

Major partners in projects to manufacture high-technology goods with high added value include some of the largest companies from China, Germany, Great Britain, Japan, Malaysia, the Republic of Korea, the Russian Federation, Spain and the United States, large international financial institutions such as the Asian Development Bank, the World Bank and the Islamic Development Bank, and investment banks from China, Japan, the Republic of Korea and a number of Arab States, among others.

As a result of a proactive investment and industrial policy, a number of major industrial facilities were established following independence, including the Bukhara Refinery, the Shurtan Gas Chemical Complex, the Kungrad Soda Plant, the Dekhkanabad Potash Fertilizer Plant, new automobile assembly plants for the production of passenger cars, cargo vehicles and buses, and dozens of textile plants.

Since independence, Uzbekistan has fully joined the system of international economic relations. Despite the global financial and economic crisis of 2008, Uzbekistan's economy demonstrated its resilience in the face of external shocks, while the implementation of its anti-crisis programme opened up new opportunities to modernize production and boost competitiveness.

In 20 years Uzbekistan's external trade increased by a factor of 27.1, with exports rising 29.5-fold and imports expanding 24.2-fold. At the same time, the country's positive trade balance increased by a factor of over 53, ensuring steady growth in the country's gold and foreign currency reserves and the stability of the national currency.

Today, Uzbekistan exports high-value-added finished products and imports mainly high-technology equipment for the technical and technological modernization of production.

Fundamental reforms were likewise introduced in the country's ownership structure through legal protections that prioritized private property. As a result of large-scale privatization, some 31,000 State-owned enterprises and facilities were privatized and converted.

Currently, the non-State sector of the economy accounts for a dominant share of GDP production, industrial development and employment, and small businesses and private entrepreneurship account for 52.5 per cent of GDP production as a whole.

Of particular importance in the development of Uzbekistan's economy was the role played by its transportation infrastructure. In the years since independence, the country's road and rail networks expanded by 109.8 per cent and 122.1 per cent, respectively. New rail links were established, such as the Tashguzar-Boisun-Kumkurgan line and the Navoi-Uchkuduk-Sultanuizdag-Nukus line. In addition, the only road across the Kamchik Pass was commissioned, which in conjunction with the newly opened Angren International Logistics Center will ensure a round-the-clock transportation link between and the Fergana Valley and the rest of the country.

The biggest step in the development of Uzbekistan's transportation infrastructure was the construction of a new international airport in Navoi and the establishment of the Navoi free industrial economic zone.

In the tourism sector, more than 100 itineraries were created throughout the country to highlight Uzbekistan's unique historical and architectural sites and monuments, 140 of which are included on the UNESCO list of protected sites.

Qualitative transformations also occurred in the social sphere, including a steady rise in per capita indicators of socio-economic development and standards of living. As a result of robust social policies and health-care reform, average life expectancy over the past 20 years rose from 67.2 years to 73.1 years, or more than 9 per cent.

Average per capita income grew 3.7-fold in the period since independence, while income derived from private property and entrepreneurial activities increased to 47 per cent of the population's overall income. Likewise, qualitative changes in consumption patterns took place, with significant per capita increases in the consumption of basic food products.

As part of a national professional training programme, the educational system was systematically modernized, with buildings and equipment provided to establish 1,500 vocational colleges and high schools with a capacity of 1.6 million students in order to meet the demand for highly qualified specialists in various sectors of the economy.

As part of the health-care reform, more than 3,000 village clinics were established and equipped with modern diagnostic and treatment tools, with co-financing from the World Bank, the Asian Development Bank, the Islamic Development Bank and foreign government lending institutions in the form of long-term concessional loans, investments and grants totalling $335.1 million.

President Islam Karimov's strategic programme for the continued reform and modernization of the country, as outlined in his conceptual framework for further deepening democratic reforms and establishing civil society in Uzbekistan, constitutes the basis for the priorities and projected development parameters that will guide the country's economy in the period 2012-2015.

The strategic priorities for the modern development of Uzbekistan are as follows: ensuring dynamic and balanced development; continuing deep structural reforms, diversifying and modernizing the leading economic sectors; creating an ever more attractive investment and business climate; mastering the production of technologically advanced and competitive products with high added value and, above all, developing export-oriented enterprises through value-added processing of raw materials and by leveraging the Uzbek economy's other competitive advantages.

A key role in ensuring Uzbekistan's economic development in the period 2012-2015 will be played by four interrelated development programmes: industry, infrastructure, transport and communications, and reform of the banking and financial system. Total investment will amount to $77.4 billion, which will ensure 1.5-fold growth in GDP.

The projected GDP for 2012 is 96,550 billion sum. In 2011 the total GDP was 77,842 billion sum.

A series of measures are planned to control the money supply within prescribed parameters and to neutralize the influence of monetary factors on inflation levels, including the use by the Central Bank of market instruments of monetary policy; a 1.3-fold increase, compared to 2011, in the average monthly volume of sterilization operations (operations to divert the excess monetary resources of commercial banks into special deposits); the continued accumulation of resources in the Uzbekistan Fund for Reconstruction and Development in Central Bank accounts, which will permit additional sterilization of the excess money supply by 3.7 trillion sum; and directing interest rate policy with the aim of attracting deposits and broadening the availability of credit to the real economy.

A series of measures have been envisioned as part of the continuing reforms of the banking sector, including enhancing banking oversight in accordance with international norms; strengthening the resource base of banks, improving the quality and broadening the range of banking services and attracting long-term deposits from individuals and businesses; continuing to expand investment activities by banks, credit for manufacturing and for retooling and modernization projects, and financial support for small business and private entrepreneurs; improving the quality of bank assets and credit portfolios and developing the system for evaluating banking risks such as credit risk, currency risk, operating risk and interest rate risk; and improving legislation governing the banking and financial system.

The volume of credit to small businesses and private entrepreneurs is expected to grow by 4,377 billion sum in the current year with the active participation of banks and the establishment of a favourable business climate.

The active implementation of structural economic reforms will ensure that industry's share of GDP will grow from 24 per cent to 28 per cent in the next few years, first and foremost through the development of priority sectors such as energy, petrochemicals, chemicals, textiles and light manufacturing, non-ferrous metals,

mechanical engineering and automobile assembly, pharmaceuticals, and the manufacture of modern construction and finishing materials. In addition, continued improvements will be made in the coming years in education, health care, infrastructure projects and residential housing, including in rural areas, and access to and the quality of social services will be enhanced.

Against this backdrop, accelerating the development of the social and communications infrastructure and the formation of a dynamically growing and vibrant real estate market will facilitate the expansion of the service infrastructure in urban and rural areas, as a result of which the volume of transportation and domestic services will grow more than 2.5 times in the period 2012-2015.

The continuation of broad economic reforms and the mobilization of resources and opportunities to achieve these goals will ensure the continuity and impact of the current policies, which will in turn ensure the achievement of the country's long-term goal: to join the ranks of the developed democratic nations and assume its rightful place in the international community.